

VZCZCXYZ0006  
OO RUEHWEB

DE RUEHTV #2430/01 3091013  
ZNR UUUUU ZZH  
O 051013Z NOV 09  
FM AMEMBASSY TEL AVIV  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4105  
INFO RUETIAA/DIRNSA FORT GEORGE G MEADE MD PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RUCNFB/FBI WASHDC PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUCPDOG/USDOC WASHINGTON DC PRIORITY

UNCLAS TEL AVIV 002430

SENSITIVE  
SIPDIS

PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A  
TAGS: [ETTC](#) [KOMC](#) [IS](#)  
SUBJECT: RESPONSE TO BLUE LANTERN LEVEL 3 POST-SHIPMENT  
END-USE CHECK, LICENSES 050121146 AND 050098938

REF: STATE 68122

¶1. (SBU) Summary: Emboffs conducted site surveys at Israel Aerospace Industries (IAI) and Silver Arrow/Elbit to verify the receipt of gyroscopes from U.S. suppliers to be installed in Israeli-made unmanned aerial vehicles (UAVs). Both IAI and Silver Arrow acknowledged receipt of the gyroscopes, noting that some of the gyroscopes had been installed in UAVs and delivered to the Israel Air Force (IAF), while the remaining gyroscopes are stored either in the companies' secure facilities or with the IAF. Both IAI and Silver Arrow maintain sophisticated computer tracking systems that allegedly prevent the gyroscopes from being used in any other project than as stated on the export license. Neither company conducts maintenance or repairs the gyroscopes; in one instance, Silver Arrow sent one of its gyroscopes back to the U.S. supplier for maintenance. Both companies are quite familiar with U.S. defense export regulations. End summary.

IAI  
---

¶2. (SBU) Polmiloff conducted a site visit at Israel Aerospace Industries (IAI) at its facilities at Ben Gurion Airport on September 16; Kobi Fogler from the MOD's Directorate of Security Defense Establishment (MALMAB) was present during the visit. IAI MALAT Procurement and Logistics Director Rami Cohen briefed on its division's work. He noted that the MALAT division was founded in 1974, and currently is responsible for USD 330 million in annual sales with a two-year backlog. Cohen said MALAT has produced and delivered over 800 unmanned aerial vehicles (UAs), and employs over 900 persons dedicated to UA design, development, production, and integration. He listed 42 customers from around the world, including 17 branches in India. In response to Polmiloff's question regarding potential sales to Georgia and Russia, Cohen declined to mention some country clients due to clauses in their contracts preventing public disclosure.

¶3. (SBU) Cohen acknowledged IAI/MALAT's receipt of 15 vertical VG700MB dynamic measurement unit (DMU) gyroscopes from Crossbow Technology, Inc., and provided copies of documents in support of the transaction, including the purchase order, end-use certificate, and export license. According to Cohen, three gyroscopes were installed in Heron UAVs and delivered to the Israel Air Force (IAF). An additional gyroscope was sent to the IAF as a spare part. Cohen stated that the remaining 11 gyroscopes have yet to be assembled in UAVs; five of the gyroscopes remain in IAI storage, while the last six gyroscopes are currently with the IAF. Fogler confirmed this account from the MOD's

perspective.

¶4. (SBU) Cohen walked polmiloff through IAI's elaborate computer accountability and tracking system, which includes the gyroscopes' serial numbers, purchase orders, project numbers, and whether a component is a controlled item. According to Cohen, controlled items are logged into this computer system for tracking, marked with three separate end-use stickers, and stored in a secure, controlled-access facility. He noted that the computer system tracks the project for which the gyroscopes are intended. In order to remove the gyroscopes from storage, an individual must access the computer system. If the component is used for a project for which it is not intended, the computer system locks down after sending a system wide alert.

¶5. (U) Cohen confirmed that IAI conducts no maintenance or repair of the gyroscopes, nor possesses the facilities or knowledge to repair the gyroscopes. He explained that the gyroscopes are essentially closed-components -- if IAI were to try and crack the component open, it would harm the component further. He stressed that any component requiring maintenance would be sent to Crossbow Technology for repair. Cohen was intimately familiar with regulations governing the import of U.S.-origin defense articles, including restrictions on re-transfer or re-export.

Silver Arrow/Elbit  
-----

¶6. (SBU) Polmiloff and senior commercial specialist conducted a site visit of Silver Arrow at its facilities in Nes Tziona on November 2. MALMAB's Kobi Fogler was present for this

site visit, as well. Silver Arrow General Manager Shimon Sarid explained that Silver Arrow was formed in 1987; Elbit Systems assumed 100 percent control of Silver Arrow in 2000. According to Sarid, Silver Arrow, or Elbit's Unmanned Aerial Systems (UAS) division, sells its services to Elbit and does not directly interface with customers.

¶7. (SBU) Sarid said the UAS division employs over 1,000 persons, and maintains strategic partnerships with Thales UK, General Dynamics, and UEL (UK-based rotary engines plant). Silver Arrow's primary UAVs are the Skylark and Hermes models; the Hermes 450 is the backbone of the IAF's UAV fleet. Silver Arrow also provides Hermes 450s to the United Kingdom (Watchkeeper and Lydian programs) and Singapore. According to Sarid, other Silver Arrow UAV customers include Macedonia, Mexico, France, Canada, Australia, and Sweden. Sarid said Georgia was a previous customer; following the Russia-Georgia conflict, the MOD instructed Silver Arrow to cease its relationship with Georgia, Sarid said.

¶8. (SBU) Silver Arrow Purchasing Manager and export control officer Ayelet Rott presented a thorough brief on Silver Arrow export control compliance, citing regulations and restrictions governing the import of U.S.-origin defense articles. She explained that export controlled items are managed and traced through Silver Arrow's BAAN-ERP computerized system. Rott said the BAANN-ERP system is interactive through all stages of the supply process, including product number definition, purchase order, inventory, and production issuance/final inspection. All items requiring an export license/end-use statement are defined in the BAAN-ERP system as a controlled item, Rott said -- each tab on the interactive BAAN-ERP "windows-based" system includes a "pop-up" window alerting that the item in question requires an export license.

¶9. (SBU) Rott explained that once export licenses for controlled items are received and filed, the item's export license number is entered into the BAAN-ERP computer system along side the item's purchase order number. Silver Arrow's warehouse receives the controlled items, and enters the item's lot and designated project information. The warehouse also marks the stored item with an export-control sticker. Once an item is designated to a lot and project, the BAAN

system will block any attempt to use the item for another project.

¶10. (SBU) Rott confirmed Silver Arrow's receipt of 22 vertical VG34-0803 gyroscopes from Goodrich Corporation, and produced copies of documents in support of the transfer, including the purchase order, export license, and end-use certificate. She noted that two of the gyroscopes have been installed in Hermes 450 UAVs, and have subsequently been delivered to the IAF. Rott noted that one gyroscope was returned to Goodrich Corporation for maintenance, as Silver Arrow does not repair any gyroscopes. Rott said the repaired gyroscope has since been returned to Silver Arrow; the 20 remaining gyroscopes are stored with Elbit/Silver Arrow, and are expected to be installed in Hermes 450 UAVs and delivered to the IAF in the near future. Fogler confirmed this account from the MOD's perspective.

CUNNINGHAM